REED INTERNATIONAL ANNUAL REPORT 1972

Reed International Limited

Annual Report 1972

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The Illustrations

The eleven characteristic photographic interpretations by Alan Marshall feature aspects of Reed activities.

Cover – paper making: Inside front cover – Crown paint: Page 2 – a Sanderson fabric designer: Page 4 – corrugated fibreboard: Page 7 – carton printing: Page 8 – Twyford's ceramic sanitaryware: Page 10 – printing IPC magazines: Page 13 – the Daily Mirror: Page 28 – reels of vinyl wall coverings: Page 30 – wallpaper in the making: Inside back cover – a loom at BST Silks.

Notice of Meeting

Notice is hereby given that the Sixty-Ninth Annual General Meeting of Reed International Limited will be held at The Chartered Insurance Institute 20 Aldermanbury London EC2V 7HY on Thursday 3 August 1972 at 12 noon for the following purposes:

To adopt the Report of the Directors and the Accounts of the Company for the year ended 31 March 1972.

To declare a final dividend on the Ordinary Shares.

To re-elect Directors.

To authorise the Directors to fix the remuneration of the Auditors.

A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not be a member.

By Order of the Board
G. G. Stocks, Secretary

Reed House 82 Piccadilly London W1A 1EJ.
3 July 1972

Notes

1 Only holders of Ordinary Shares are entitled to attend or be represented at the Meeting.

2 A statement of the transactions of each Director and of his family interests in the equity share capital of the Company and its subsidiaries, during the twelve months ended 15 June 1972, will be available for inspection at the Registered Office of the Company Reed House 82 Piccadilly London W1A 1EJ, during normal business hours from 3 July 1972 until the date of the Annual General Meeting. The statement will also be available for inspection at the place of the Annual General Meeting from 11.30am until the conclusion of the Meeting.

3 Contracts of service with Directors can be terminated by the Company within one year without payment of compensation.

Reed International Limited Annual Report
Year ended 31 March 1972

Directors

Sir Don Ryder	Chairman and Chief Executive
H. W. Broad	Deputy Chairman (Finance)
H. Cudlipp	Deputy Chairman (Editorial)
P. H. Sykes	Deputy Chairman (Technical)
E. S. Birk	
R. N. Burnham	
G. H. Cartwright	
M. K. Collins	
R. F. Inch	
A. A. Jarratt	
C. H. H. King	
K. J. Procter	
G. S. G. Witherington	

Secretary

G. G. Stocks

Registered Office

Reed House 82 Piccadilly London W1A 1EJ

Registrars

Tudor Registrars Ltd.
Bourne House 34 Beckenham Road
Beckenham Kent BR3 4TU

Auditors

J. H. Champness, Corderoy, Beesly & Co.

Principal Activities

Reed International Limited is an international organisation based in the United Kingdom holding world-wide interests and investments. The principal activities of its subsidiary companies fall into four main categories:—

Building Products
Plastic pipes, guttering and fittings
Pitch fibre pipes
Ceramic sanitaryware

Decorative Products
Wallcoverings
Paint
Textiles
Furnishing fabrics
Polycell 'do-it-yourself' range of products

Paper and Paper Products
Pulp
Paper and board
Packaging
Stationery

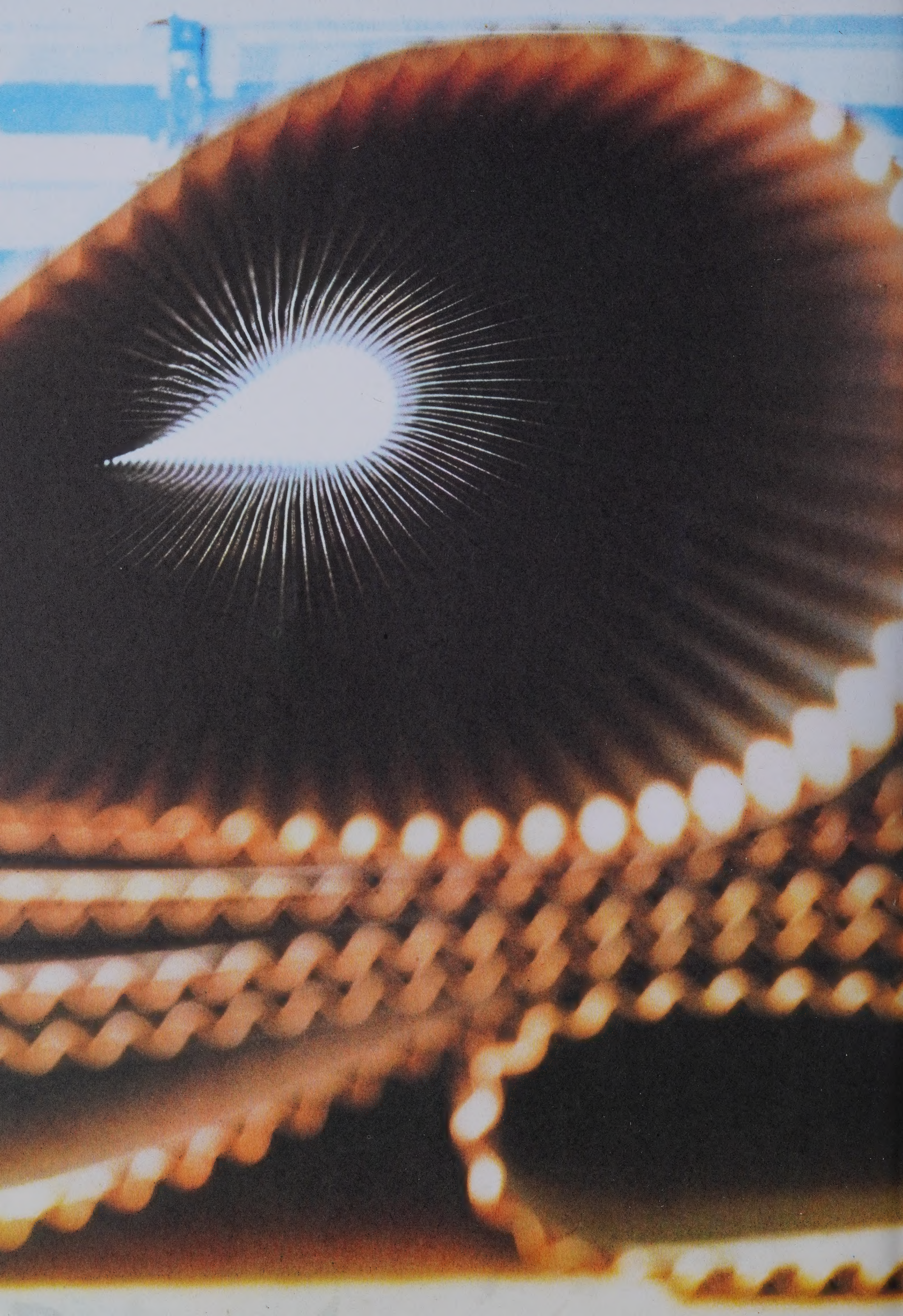
Publishing and Printing
Newspapers
Consumer and business magazines
Books
Business directories
General printing

Financial Highlights	1972	1971
		£ million
Sales United Kingdom	398	377
Sales Overseas	136	125
Sales Total	534	502
Profit before Taxation	30	20
Profit after Taxation	18	11
Profit attributable to Ordinary Shareholders	16	10
Capital Employed	429	419
Capital Expenditure	20	20
Earnings per Ordinary Share	18·2p	11·3p
Gross Dividend per Ordinary Share	12·5p	12·5p
		Thousands
Shareholders	95	104
Employees	80	84

Financial Calendar	
Financial Reports	
Financial year end	31 March 1972
Preliminary results for the year issued	22 May 1972
Annual Report for the year issued	3 July 1972
Annual General Meeting	3 August 1972
First Quarter's results issued	3 August 1972
Second Quarter's results issued	30 October 1972
Third Quarter's results issued	29 January 1973
Ordinary Dividends Payable	
Interim	10 January 1972
Final	8 August 1972

Close Company

The Company is not a 'close company' within the meaning of the Corporation Tax Acts.



Review by the Chairman Sir Don Ryder

My review last year ended on a note of restrained hopefulness. My caution was warranted by the discouraging business conditions which we have since experienced, but my hopes were abundantly fulfilled by the management performance of our operating units.

As you will see from the Financial Highlights given on page 3 and from the detailed accounts which follow, we achieved higher sales and notably higher profit and earnings per share. They constitute a milestone in the history of Reed International.

The Background to the Year's Operations

Conditions were far from buoyant in most of the areas in which we traded. In the UK there was an economic growth of only 1·2 per cent in real terms. It was against this background and the resulting effect on business activity and on unemployment in the UK that I welcomed the British Government's measures introduced in 1971 and those intended in 1972.

As a company, Reed contributed to price stability by subscribing to the CBI price restraint undertaking in 1971. Although the CBI initiative was not conditional upon a corresponding undertaking on wages and salaries restraint, yet it did look to the Unions for a positive response. I am by no means belittling the moderation in settlements which occurred for a time, and I acknowledge the realism and co-operation which characterised some of the dealings with Unions in our own immediate experience. I am bound to say, however, that I consider recent claims, and actions in support of claims, to be so damaging to the concept of prices and incomes stability as to threaten the success of the British Government expansion programme and all that goes with it. Of course, our own pricing policy has to be viewed in the light of these circumstances.

In our corporate affairs we have initiated major developments in organisation and management responsibility. Twyfords Holdings Limited was acquired in 1971, bringing into Reed International one of the most highly reputed manufacturers of ceramic building products. We were thus enabled to fulfil our plan of establishing a new Main Division "Reed Building Products".

Simultaneously in Canada we restructured Reed Paper Group Canada Holdings Limited as the holding company for the equity and loans owned by Reed International in Canadian companies. It was also constituted as the executive board in respect of our interest in Anglo-Canadian Pulp and Paper Mills, Canadian Wallpaper Manufacturers and Sanderson (Canada).

These developments have brought us measurably closer to our concept of Main Divisions in the UK (Reed Group, International Publishing Corporation, Wall Paper Manufacturers, and Reed Building Products) and in Australia, Canada and South Africa, each with increased responsibility and authority for strategy, tactics and investment within the corporate guidelines.

Financial

The profit before depreciation last year amounted to £52·8 million compared with £45·6 million in 1970/71. Profit before taxation was £30·1 million, which exceeded the previous year by £10·2 million, and included £1·2 million additional profit in respect of Twyfords Holdings Limited, acquired with effect from 1 April 1971.

In my last year's review I reported your Board's decision to adopt the recommendations of the Institute of Chartered Accountants concerning the treatment of Associated Companies, which is shown fully in Note 4 to the Balance Sheet on pages 21 and 22. Accordingly, our quarterly profit statements throughout the year were on this basis.

Our progressive change of company profile for improved profitability involves the divestment of unpromising operations, as well as the acquisition of good profit growth prospects. You will see from Note 9 to the Balance Sheet that disposals and terminations resulted in a £1·7 million reduction in reserves.

Debtors were abnormally high in our 1971 Balance Sheet, because of the UK postal strike earlier in the year. They fell by £15·5 million by the end of 1972, although total turnover increased by 6 per cent. This decrease in debtors, together with the profit retained in the business, resulted in a reduction of net short term indebtedness to Finance Houses of more than £24 million.

With total net current assets of £95·4 million, the liquidity is satisfactory for our present business. However, to put ourselves in a position to grasp opportunities for profit growth, especially overseas, we shall seek in the current year to raise long term

capital in suitable currencies and at economic rates.

Reed Group

In view of the difficulties which the companies comprising Reed Group had to face last year, it is highly encouraging that the Group as a whole improved its pre-tax profit position.

Reed Paper & Board (UK), in weathering some of the worst trading conditions which the paper and board making industry has had for forty years, returned commendable results. I attribute this in part to re-organisation and rationalisation, but equally to good management and the co-operation shown by the operatives and Unions. Further investment continues, but only in areas judged to be strictly viable in the long term.

The packaging companies experienced mixed fortunes; Reed Corrugated Cases, despite considerably increased competition, were able to maintain their position in the market with satisfactory results. The extension to the Wigan branch, which was mentioned in my last annual review, is complete and we now have the capacity to take full advantage of the continued growth in demand.

Fields, our Carton division, also did well. This success can be attributed largely to the major emphasis placed on quality and service and the very high level of design expertise they possess.

Weakness in the paper sack market coupled with a continuing excess of capacity caused a fall in the profit of Reed Medway Sacks, but its market position was maintained and, with signs of an increasing demand, an improvement in this company's performance is looked for in the current year. Last autumn saw the start up of Medway Plastics, an operation involved in the manufacture of high density polyethylene bags and film, which are relatively new to this country, but have good growth potential.

The results of the companies in Spicers were mixed. The repercussions of the postal strike continued for longer than was anticipated and the stationery operation had a very difficult first half of the year. Business did pick up in the second half but not enough to regain lost ground. For the first time in many years, the continuous stationery market showed little or no growth, this being due principally to the small number of new computer installations. Spicers International, our overseas merchants of paper and printing machinery, had a good year.

In March 1972 the Reed Group reached an agreement to purchase Van Meurs' Golfcartonfabrieken, an important Dutch corrugated case manufacturer. This move marks the first step in Reed Group's policy to extend its operations on to the mainland of Europe in a major way.

International Publishing Corporation

Last year I said that IPC was now better equipped to meet the challenges of a rapidly changing publishing scene. This has proved abundantly true. The excellent result was achieved through a notable overall improvement in the efficient operation of the business and despite handicaps such as weakness in certain markets, constant inflationary pressures and serious losses in the computer service subsidiary, IDH. This latter company was sold in March. Price increases in our national newspapers and major women's weekly magazines yielded increased revenues, the greater part of which, after meeting higher costs, was ploughed back to improve the quality of these major publications and their market performance.

Technologically, the most important event was the start up on time of our newspaper plant at Glasgow, which was opened officially in November by HRH Princess Anne. IPC have set a new world standard which has already been shown in the improved competitive position of our Scottish papers, *The Daily Record* and *Sunday Mail*.

The confidence I expressed previously in our ability to halt the decline in the circulations of *Woman, Woman's Own, Woman's Weekly* and *Woman's Realm* was fully justified. This improvement reinforced these publications as a major advertising medium and led to the proposed launch in September of an entirely new weekly, *Candida*. Our specialist and semi-consumer magazines, which were seriously affected by industrial disruption in 1970/71, recovered admirably and this encouraged several successful new launches.

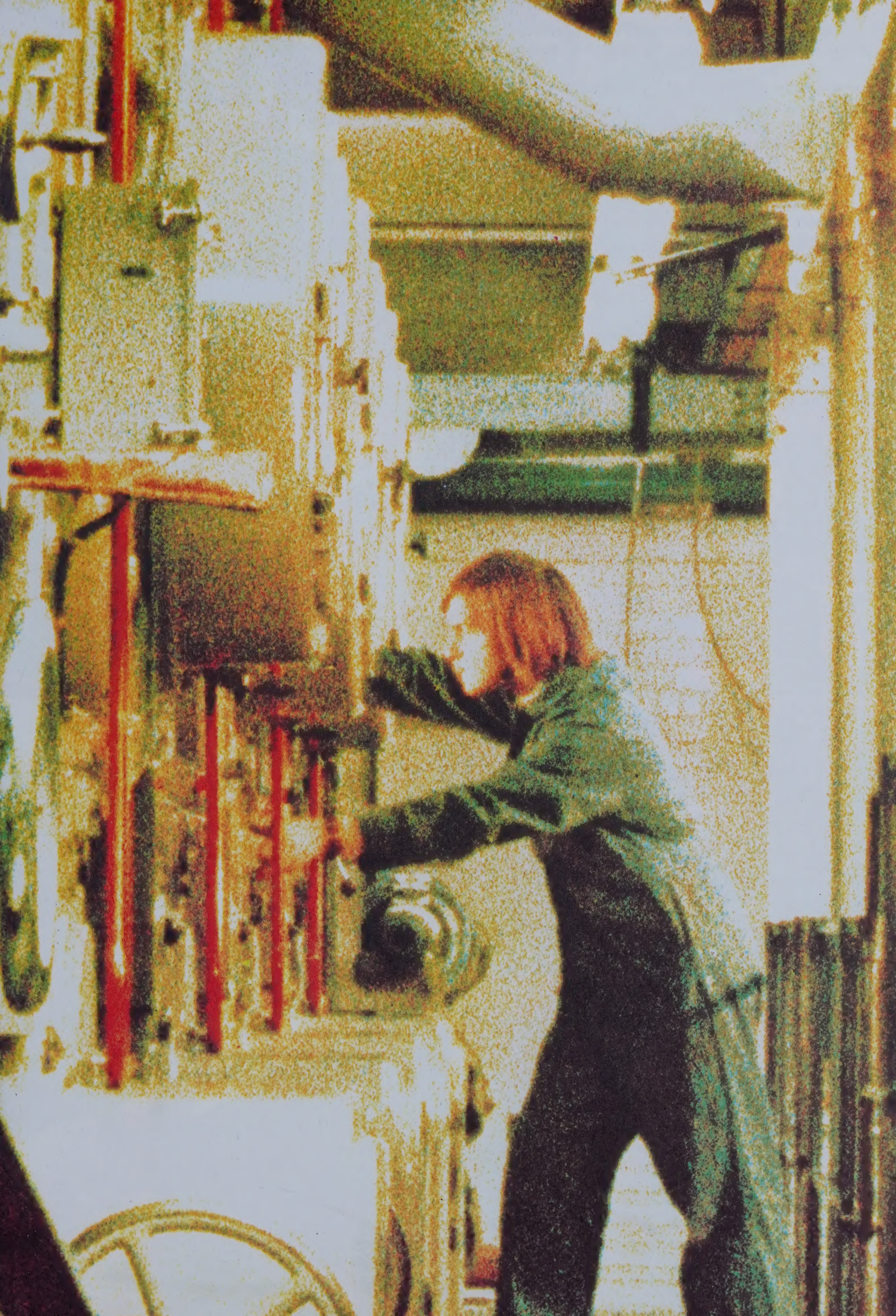
One of the most significant changes was in Hamlyn Books. The disturbing losses of 1970/71 were converted into a profit by a combination of more selective publishing, tight stock control and cost-cutting. Butterworths too had a satisfactory year in the fields of legal, medical and scientific publishing and this year begin the publication of the 4th Edition of Halsbury's Laws of England.

On our printing side we succeeded in cutting costs at Southwark Offset, but there is still much to do to reduce the loss at this major London factory to a level which can be accepted as an ongoing basis. This will require the fullest co-operation from the Unions and our employees. Considerable improvement in the quality and service offered by Odhams (Watford) strengthened its position in the fiercely competitive gravure printing market. All our other provincial factories had a profitable year.

The major retrenchment and re-organisation of IPC to which I referred last year was successfully carried through. The effects are to be seen in improved marketing, control of costs, productivity and, consequently, in our renewed ability to devote resources to improving the quality of our existing publications and creating new ones. We are confident of achieving further improvement in 1972/73 so long as our strengthened competitive potential is not eroded by cost inflation or industrial disruption.

Wall Paper Manufacturers

Sales by all divisions within WPM exceeded those for the previous year with the continuing success in




TWYFORDS

developing do-it-yourself convenience products making a significant contribution. Indeed, pre-tax profit reached its highest level since the Reed acquisition of WPM. Whilst 1971/72 was the "good" year in the two year wallcoverings cycle, the results, so substantially above last year's, reflect the vigorous way unprofitable areas were tackled and margins improved.

WPM is specially well placed to take advantage of the increasing consumer interest in decorating and furnishing the home, and this was of major benefit to Sanderson, whose brilliant new Triad Collection of matching wallcoverings and fabrics were particularly well received. Confirming my beliefs expressed last year, 1971/72 was a period of marked growth for Crown Plus Two Ready Pasted Vinyls and every effort was necessary to fulfil the demand for this product, as was also the case with "Supaglypta" and "Anaglypta". From the results of recent launches, Crown's Silk Finish Paint and Polycell's Ready Pasted Polypanel Mosaics will prove successful additions to WPM's range of products.

The Crown Decorators Service was introduced to give special recognition to first class tradesmen, and was widely welcomed. The service helps householders choose really professional decorators, who have the backing of WPM in advising on colour schemes and decorating problems and has the added advantage of credit financing.

Profitability demanded a concentration of the wallcoverings manufacturing operations into fewer locations. The closure of Crown's Kinder Walker Carver Branch, the transfer of the Gosport Mill to Sanderson and expansion at Christchurch will permit the release of the Perivale Mill site which has proved increasingly costly. Also located at Christchurch, the Wallcoverings International operation requires additional facilities to service the buoyant export market, particularly with the opportunities for WPM resulting from EEC entry.

Progress continues to be made in the Household Textiles Division in concentrating its operations into fewer locations whilst providing the high level of service necessary as supplier of household textiles to the mail-order business and of disposable products to hospitals.

Reed Building Products

This new Main Division was formed by grouping Key Terrain, Burn Brothers and James Ferguson, all formerly member companies of the WPM Main Division, together with Twyfords following its acquisition.

The building industry, stimulated by a substantial increase in Improvement Grants, was fully extended throughout the year. Our own sales to the industry increased at a greater rate than this overall increase in demand with consequent benefit to profit over and above that contributed by Twyfords. We attribute the increase in market share to the high quality of product and service provided throughout our range of activities.

Twyfords' ceramic ware is complementary to the plastic plumbing and drainage products of Key Terrain, not only in the UK, but also in Australia and South Africa. Twyfords' previously announced profit forecast for the year was achieved. New capacity has become available in the UK since the year end and further capital additions, both in the UK and in Australia, are planned for the current year.

In 1971 Key Terrain acquired the Temple Building Products assets for the production of pitch fibre pipe, of which we are now the largest manufacturer in the world.

In spite of slack demand in the chemical industry, James Ferguson increased both turnover and profit, extending its range of products to include reinforced thermoplastics and new injection moulding phenolics.

Property

In the course of expansion over the years, Reed has acquired a considerable number of valuable properties – many of them in central London.

We have a clear policy with regard to our properties. Those which are fully developed by present-day standards can be retained or sold and leased back, or sold outright, according to our business needs. On the other hand, we plan to retain an interest in the developable properties and to share in the benefits to be derived from their further development and the consequent enhancement in their value.

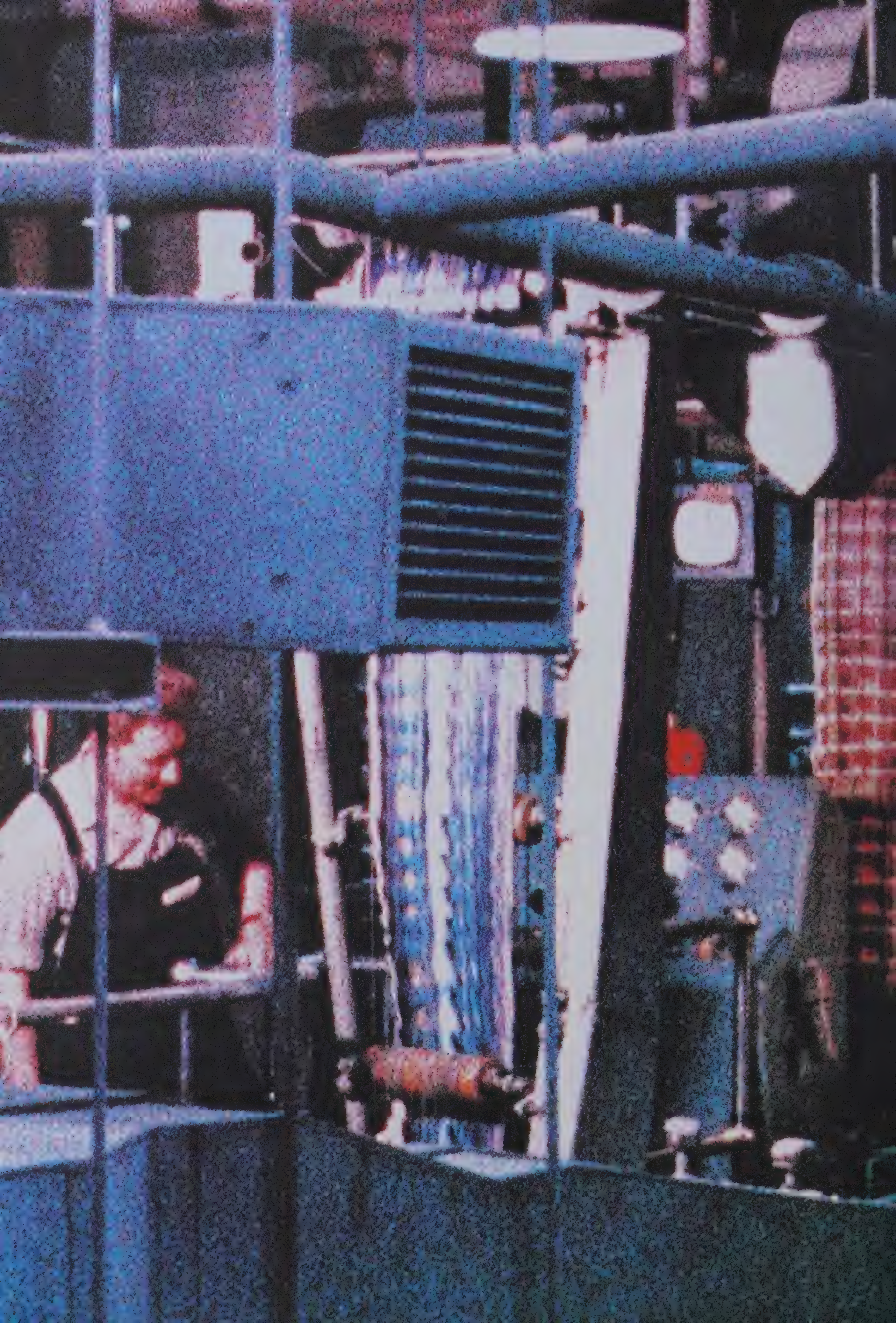
We have accordingly come to an agreement with Metropolitan Estate & Property Corporation Limited to form a joint company to undertake the development of a substantial portfolio of these Reed properties, currently valued at over £36 million. By this transaction, Reed will have a 49·9 per cent share in the joint company and a valuable holding in MEPC Ordinary Shares and MEPC Convertible Unsecured Loan Stock.

I am delighted at this prospect of continuing the development of our property interests, especially with partners of such outstanding strength and expertise and with investment in property, not only in the UK, but also in important growth areas overseas. I am sure that shareholders will appreciate the benefit it brings to Reed, in the secure and growing value of these assets.

Australia and New Zealand

Our principal Australian subsidiary, Reed Consolidated Industries, is a public quoted company with a very strong local image in its own right. Its activities in Australia and New Zealand include paper merchanting and converting and machinery agencies: corrugated and solid fibreboard, flexible, carton and plastic packaging; furnishing fabrics, wallcoverings, do-it-yourself lines and building products; vineyards, wineries and wine distribution.

Trading conditions were far from buoyant, and the impact



of heavy increases in wages and material costs, increased company taxation and the withdrawal for most of the year of the Australian capital investment allowance were all felt acutely. Nevertheless, as far as sales were concerned, an increase over the previous year of 9 per cent to $72 million was achieved with an increase in pre-tax profit of 6 per cent to $4·43 million. Following the outstanding rate of profit growth of recent years, these results can be regarded as a temporary pause in the progress of RCI.

In addition to those companies operating within Reed Consolidated Industries, there are two important groups of activities separately owned by Reed. One is the group of Australian publishing operations acquired in the IPC merger and linked particularly with Hamlyn and Butterworths. Preparatory work is proceeding prior to their being offered for incorporation in RCI.

Our other group of interests is in building products. Originally, our plastic plumbing range, including the Key Terrain soil, waste and vent systems developed internationally by Reed, was set up in Australia by way of a 40 per cent participation in Iplex Plastics Industries Pty. Limited, the other major partner, General Industries Limited, being responsible for distribution in most States. Following the proposed acquisition by Walloo Pty. Limited of the shares of General Industries, Reed will acquire General Industries' holding in Iplex and Reed's total holding, then amounting to 90 per cent, will be offered to RCI at the same price per share. These interests, together with Twyfords' newly established sanitary-ware factory and certain present building activities of RCI, will constitute an important new division for RCI.

Canada

Reed's interests in Canada are almost all within one of three great groupings – Anglo-Canadian Pulp and Paper, Canadian Wallpaper Manufacturers/Sanderson (Canada) and the joint operations in British Columbia reported under "Associated Companies". I have already described how Reed's wholly owned subsidiary, Reed Paper Group Canada Holdings, has been reconstituted to form the single policy making forum for Reed's interests in the "Anglo-Canadian Group" and the "CWM Group". I am confident this organisational development will benefit all shareholders of both Anglo-Canadian and CWM, each of which is a quoted company with a significant local shareholding.

The Anglo-Canadian Group is engaged in the manufacture of pulp, newsprint, paper and board, converted and packaging products and chemicals. Sales were almost identical in value with those of the previous year, but pre-tax earnings were some 13 per cent lower at $4·05 million. The results, although poor in themselves, were much above those achieved by the Canadian pulp and paper industry generally. Over-capacity, severe competition and restrictions in USA severely limited the sales and price of newsprint. Trade in market pulps was affected in much the same manner, whilst the lower world demand necessitated curtailed production with the consequent serious increase in unit costs.

The CWM Group have an extensive business in wallcoverings, pigments, paint and merchandising. Sales during the year were marginally higher than in the previous year, but earnings before tax were 19 per cent lower at $2·31 million. Trading within Canada and exports to USA, in spite of the obstacles, were generally highly successful. It was the operations in USA itself where operational troubles reduced our profits and where constructive action has now been taken. These USA manufacturing and trading activities have a valuable potential for growth and profit. Sanderson (Canada) reflects many of the aspects of the superb Sanderson UK range of decorative products. After some years of stagnation, Sanderson (Canada) is pushing ahead with promising vigour.

South Africa

Last year I reported on the assimilation into a coherent group, Reed Corporation (Pty), of our diverse activities which are to a great extent the counterparts of the traditional businesses of the original UK parent companies.

Trading conditions were depressed by a deflationary national budget following a number of years of boom conditions. Our sales were on a higher level, but the pre-tax earnings were substantially lower. The first priority of our managements has, therefore, been the consolidation of existing activities and the curing of trouble spots. When these are dealt with, as they must be this year, then we will unquestionably have a firm and eminently suitable base for expansion and for diversification.

Associated Companies

For tissue products it was a difficult market with severe competition from home and foreign producers. Kimberly-Clark, however, held its strong position in the market, backed by highly efficient production. A new mill was brought into operation in accordance with planned timing and cost, situated at Prudhoe on Tyneside, appropriately balancing the established production at Maidstone, Kent.

The strong performance of commercial television was reflected in the Associated Television Corporation profit, whilst the TV colour boom strengthened the position of British Relay Wireless & Television in the latter part of the year.

Our British Columbian group of associated companies comprises a vast integrated forest products operation producing in the order of half a million tons per annum of pulp and paper and 200 million board feet of lumber. In spite of the difficulties with which the Canadian pulp and paper industry is beset, both mills achieved a profit and an improved operating performance. The lumber enterprise launched as a complementary operation to pulp and paper made outstanding progress in performance, and I have good hope that it will now prove a viable undertaking.

Tasman Pulp and Paper in New Zealand set up new

records for output of pulp, newsprint and lumber. With sharply increasing costs, however, profits were down somewhat from the previous year. The erection of the new pulp mill is proceeding as planned and the company has taken a decision to install a third newsprint machine to come into operation by 1975 with a capacity of 130,000 tons per annum. Marketing of the output, predominantly in Australia, is expected to be favoured by arrangements under the terms of the New Zealand-Australia Free Trade Agreement.

EEC

UK membership of EEC should in the longer term provide benefits of great significance to Reed in many ways, and we welcome the prospects of entering into the enlarged market. Each of the UK Divisions is energetically taking actions designed to derive the maximum advantage from these new opportunities.

Newsprint for newspapers and periodicals and also pulp will continue to enter duty-free. Paper generally, however, being a recognised "sensitive product area", has been the subject of special negotiations. The expected pattern is along the following lines – (i) the tariffs of the Six against Sweden, Finland and Austria will eventually be reduced to nil, notwithstanding these latter countries are non-candidates for EEC membership; (ii) the UK tariffs against Sweden, Finland and Austria will be increased from the present nil level until harmonised with the reducing tariffs of the Six, which will not be earlier than July 1977. Until that date the UK paper industry will continue to be at a disadvantage compared with that of the Six; (iii) throughout this period at least Sweden, Finland and Austria will enjoy extensive duty-free quotas into UK, thus increasing both the UK disadvantage compared with the Six and continuing the UK exposure to Scandinavian imports; (iv) the UK tariff against Canada will increase to the full common external level of the EEC.

I have always favoured British membership of the EEC, and I still do. Furthermore, I have never been an advocate of the artificial discrimination conferred by high tariffs. What I do criticise is being discriminated against. I must say, therefore, that although I accept that harmonisation cannot be achieved immediately, I am at a loss to perceive any duty, reason or equity in the British Government allowing the extensive benefits to those EFTA countries who are not prepared to assume the responsibilities of EEC membership, whilst at the same time severely penalising Britain's much older trading partner, Canada, as well as continuing to handicap the UK paper industry.

Manpower

I attach great importance to planned and progressive management development. A number of new appointments have been made during the year that will strengthen the Main Board. These include Mr K.J. Procter, Deputy Chairman of Reed Group and Managing Director of Reed Corrugated Cases; Mr M.K. Collins, Managing Director of Reed Building Products; and Mr C.H.H. King, Managing Director of Wall Paper Manufacturers. Mr R.F. Inch, a Director of Reed International, and for some years Managing Director of Wall Paper Manufacturers, was appointed to the Reed Operations Executive.

Appointments were also made to all Main Division Boards, subsidiary Boards and other executive positions, both at home and overseas, including promotions from one Division to another. It is our continuing purpose to appoint the most suitable men and to provide the greatest opportunity and testing for the most promising of our managers.

To promote management development and corporate thinking I inaugurated this year our first Multi-Nation Cadre, for which senior managers were chosen from Australia, South Africa, Canada and the UK. I was tremendously impressed by the abilities and promising talents of those who participated.

Growth is one of our main objectives, and I do not think Reed can be chided for lack of it. But to survive in our highly competitive trading conditions we must constantly increase the productivity of all the resources we employ. As I have said, we have to select and promote the best managers. We have to concentrate on those assets, and those only, that will bring us the best return. We have to make the most effective use of our manpower resources. I do not pretend that this is easy, not least when it involves a reduction in the numbers we employ. But only by ensuring a more productive use of all our resources can we achieve a secure and better future for those of our employees who remain.

The Year Ahead

The past year's performance was but a milestone marking a stage toward our goal of an acceptable ongoing return. We now aim more selectively at real growth to yield increased earnings per share and increased return on capital employed. To this end, we intend further change in the profile of the company by organic growth, innovation and appropriate acquisition and divestment, looking to our proven Home Divisions for persistent progress and, at the same time, aiming at higher acceleration overseas.

That is the course we are on, and I have ample grounds for confidence in our success. I would, however, bring two points to the notice of our shareholders. One is that for our growth we need the stability of proper dividend cover and the benefit of adequate retained profit. The other is that results at any particular time are liable to wide fluctuations: it is the trend that matters. Leaders of industry these days are running a race on a moving track which suffers from variations in direction and pace due to economic conditions, fiscal measures, interest rates, industrial relations, exchange rates and similar uncertainties. These expose the fatuity of any attempt to forecast precisely short term earnings. Viewing the future relative to these unquantifiable influences, however, I can look with assurance for further successful growth long term with the prospect of a further improvement in earnings in the current year.


Daily
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Directors' Report

The Directors present their Report and the Accounts for the year ended 31 March 1972.

Sir Don Ryder
The Directors wish to record their delight at the honour of Knight Bachelor conferred by Her Majesty The Queen on our Chairman, Sir Don Ryder.

Principal Activities
Reed International Limited is a holding company and a description of the principal activities of its subsidiary companies is given on page 3. The names of the principal subsidiaries as at 31 March 1972 are listed on pages 26 and 27.

Trading Results and Dividends
The profit attributable to members of the Company for the year was £16·4 million after providing for taxation and outside interests in the profit of subsidiaries. As indicated on page 21 the share of associated companies results has been included for the first time and corresponding adjustments made to comparative figures.
The Directors recommend payment of a final dividend of $7\frac{1}{2}$% for the year on the Ordinary Shares to be paid on 8 August 1972 to Shareholders on the Register on 16 June 1972. This final dividend together with the interim dividend of 5% paid on 10 January 1972 makes a total dividend for the year of $12\frac{1}{2}$%, the same as for the previous year. Ordinary and Preference dividends total £11·3 million leaving £5·1 million to be added to reserves.

Share and Loan Capital
During the year the following issues were made by the Company:

4,706,276 Ordinary Shares and £1,411,883 10% Unsecured Loan Stock 2004/09 as consideration for the acquisition of all the issued Ordinary Shares of Twyfords Holdings Limited, manufacturers of ceramic sanitaryware.

£200,000 $6\frac{1}{4}$% Debenture Stock 1972/76 and £650,000 $6\frac{3}{4}$% Debenture Stock 1978/83 in exchange for £200,000 6% Mortgage Debenture Stock 1971/76 and £650,000 $6\frac{1}{2}$% Mortgage Debenture Stock 1978/83 of Alex. Cowan & Sons Limited, a wholly-owned subsidiary company.

4,629 Ordinary Shares and £1,031 10% Unsecured Loan Stock 2004/09 as a result of the conversion by holders of £16,316 7% Convertible Unsecured Loan Stock 1987/92.

Directors
The names of the present Directors of the Company are listed on page 3. They were all Directors throughout the year with the exception of Mr M. K. Collins, Mr C. H. H. King and Mr K. J. Procter, who were appointed on 25 January 1972.
The Directors retiring by rotation in accordance with the Articles of Association are Mr E. S. Birk, Mr G. H. Cartwright and Dr P. H. Sykes and being eligible they offer themselves for re-election. In addition, Mr M. K. Collins, Mr C. H. H. King and Mr K. J. Procter, having been appointed by the Board, retire in accordance with the Articles of Association and being eligible they offer themselves for re-election.

Fixed Assets
Details of the changes which have taken place in properties and plant during the year are set out on page 20.
On 25 February 1972 agreement in principle was reached with Metropolitan Estate and Property Corporation Limited ("MEPC"), subject to the appropriate consents and approvals, for the formation of a joint company to undertake the development of a substantial portfolio of our important properties in London with a current value in excess of £36 million. Their development, over the years, will incur expenditure substantially in excess of this sum, and it will be the responsibility of MEPC to procure the necessary finance and development expertise.
Under the terms of the transaction, MEPC will acquire 50·1% of the Ordinary Shares together with £5 million out of the £10 million $7\frac{1}{2}$% Unsecured Loan Stock 1988 of the joint company which will hold these properties, for the following consideration:

2·7 million Ordinary Shares of 25p each of MEPC,
£3·5 million nominal of the existing 5% Convertible Unsecured Loan Stock 1989/94 of MEPC convertible into MEPC Ordinary Shares from 1974 to 1988 at approximately $129\frac{1}{2}$p per share, and
£5 million nominal of a new $6\frac{1}{2}$% Convertible Unsecured Loan Stock 1995/2000 of MEPC. This new stock will be convertible into MEPC Ordinary Shares from 1980 to 1990 at 330p per share.

The balance of the shares and loan stock in the joint company may be acquired by MEPC at any time after 1 January 1985 at either party's option based on asset values in return for a consideration consisting equally of shares at their then value and convertible stock of MEPC. This transaction had not been completed at 31 March 1972 and it therefore has not been reflected in these Accounts. The net book value of the properties concerned at 31 March 1972 was £7·2 million. The completion of this transaction will give rise to a surplus of some

£29 million. It is expected that the capital gains tax arising thereon will only crystallise and become payable if the joint company disposes of the properties in the future. The amount of the potential liability cannot be determined at the present time.
In the opinion of the Directors the market value of the freehold and leasehold land and buildings held by International Publishing Corporation Limited not subject to the MEPC transaction exceeded their net book value of £16 million at 31 March 1972 by £12 million.
The net book value of our remaining properties at 31 March 1972 amounted to £62 million.
The majority of these properties consists of special purpose buildings and their market value is difficult to assess, but the Directors are of the opinion that in the aggregate the market value of these assets does not differ significantly from their book value.

Sales and Trading Profit
An analysis is given on page 29.

Exports
Goods to the value of £30·9 million were exported by United Kingdom companies during the year.

Employees
The average number of persons employed in the United Kingdom in each week of the year was 67,000 and the aggregate gross remuneration paid to them for the year was £109·1 million.

Charitable contributions
Donations made during the year for charitable purposes in the United Kingdom amounted to £55,000 of which £21,000 was for educational purposes.
No contributions have been made for United Kingdom political purposes.

Directors' Interests in Share and Loan Capital
The interests of the Directors and of their families in the share and loan capital of the Company are set out below.
No notifiable interests existed in respect of subsidiaries.

Directors	Ordinary Shares		Unsecured Loan Stocks		
	31 March 1972	1 April 1971 †	31 March 1972	1 April 1971 †	
Sir Don Ryder	4,052	4,052	£439	£439	10% 2004/09
E. S. Birk	13,752	13,752		£2,432	10% 2004/09
	3,625*	3,102*	£751*	£1,006*	10% 2004/09
H. W. Broad	1,000	1,000	£112	£112	10% 2004/09
R. N. Burnham	17,000	22,282			
G. H. Cartwright	1,045	1,045	£83	£83	7½% 1996/2001
			£216	£216	10% 2004/09
M. K. Collins	2,312	2,312			
H. Cudlipp	4,997	4,997		£1,124	10% 2004/09
R. F. Inch	8,000	8,000			
	86,916*	170,816*	£375*	£375*	7½% 1996/2001
A. A. Jarratt					
C. H. H. King					
K. J. Procter	100	100			
P. H. Sykes	205	105			
G. S. G. Witherington	3,375	4,837			
	109,900*	110,300*			

* Indicates other than beneficial interest. † Or date of appointment if subsequent to 1 April 1971.

By Order of the Board
G. G. Stocks, Secretary
5 June 1972

Consolidated profit and loss account
Year ended 31 March 1972

	Notes		1972		1971
					£million
Sales, excluding inter-company sales			**534·4**		**502·3**
UK companies		398·6		376·7	
Overseas companies		135·8		125·6	
Profit before depreciation			52·8		45·6
Depreciation			14·1		13·5
Trading profit			38·7		32·1
Income from investments	A		0·3		0·2
			39·0		32·3
Interest					
Long term loans		9·5		9·4	
Bank advances and loans wholly repayable within 5 years		3·8		5·0	
			13·3		14·4
Operating profit before taxation			25·7		17·9
UK companies		20·6		12·1	
Overseas companies		5·1		5·8	
		25·7		17·9	
Share of profits less losses of associated companies	4*				
Total applicable to Reed Interest		4·4		2·8	
Less arising prior to acquisition		—		0·8	
			4·4		2·0
Profit before taxation			30·1		19·9
Taxation	B		12·6		8·9
Profit after taxation			17·5		11·0
Outside shareholders' interests in profit of subsidiaries	13*		1·1		1·3
Profit attributable to members of the Parent Company	C		16·4		9·7
Dividends paid and proposed, gross					
Preference		0·2		0·2	
Ordinary					
1972 Interim 5 % on 88,981,066 shares		4·4			
1972 Final 7½% on 88,985,695 shares		6·7			
1972 Total 12½%		11·1			
1971 Interim 5 % on 84,274,790 shares				4·2	
1971 Final 7½% on 84,274,790 shares				6·3	
1971 Total 12½%				10·5	
			11·3		10·7
Profit for the year retained	9*		**5·1**		**(1·0)**
Earnings per ordinary share of £1			**18·2p**		**11·3p**

* Balance Sheet Notes see pages 20 to 25.

The calculation of earnings per share is based on earnings of £16·2 million 1971 £9·5 million and 89·0 million ordinary shares in issue during the year 1971 84·3 million.

Notes on consolidated profit and loss account

				£million
		1972		**1971**
A. Income from investments (excluding associated companies)				
Unquoted		0·2		0·1
Quoted		0·1		0·1
		0·3		**0·2**
B. Taxation on the profit for the year				
UK Corporation tax at 40% 1971 40%	8·6		4·8	
Less Double taxation relief	0·4		0·5	
		8·2		4·3
Overseas tax (less offset relief of previous years £0·5m 1971 £0·4m)		2·7		3·2
Total (including deferred taxation of £3·4m 1971 £0·8m)		10·9		7·5
Taxation on share of associated companies profits (including overseas tax £0·9m 1971 £0·7m)		1·7		1·4
Total		**12·6**		**8·9**
C. Profit dealt with in the accounts of the Parent Company		**13·9**		**10·3**

Acquisition of Twyfords Holdings Limited (Twyfords)
The results include a full year's contribution from Twyfords, acquired as from 1 April 1971
The profit before taxation from this source after deduction of relevant interest is £1·2 million

	1972	1971
Hire of plant and equipment	**3·8**	**3·5**
Emoluments of the directors of the Parent Company	£	£
Fees	8,286	8,061
Other emoluments	279,539	264,469
	287,825	**272,530**
Payments to 3 former directors for loss of executive office	—	36,530
Single premium for pension to former director	—	41,035
Pensions for services of former directors	12,497	10,939
The number of UK directors in each range of emoluments (excluding pension contributions) was as follows:		
The Chairman	£40,477	£40,679
Other UK Directors	Number	Number
Below £2,501	1	4
£2,501– £5,000	2	—
£10,001–£12,500	1	3
£15,001–£17,500	2	3
£17,501–£20,000	2	1
£20,001–£22,500	2	1
£22,501–£25,000	1	1
£30,001–£32.500	—	1
£32,501–£35,000	1	—
Emoluments of employees in UK (excluding pension contributions)	Number	Number
£10,001–£12,500	21	21
£12,501–£15,000	5	5
£15,001–£17,500	2	1
Auditors' remuneration	**£456,000**	**£389,000**

Conversion of overseas currencies into sterling
at appropriate average rates

Consolidated balance sheet
31 March 1972

	Notes		1972		1971
					£million
Fixed assets					
Properties and plant: at cost or valuation	1	321·1		319·0	
Properties and plant: accumulated depreciation		151·5		147·8	
			169·6		171·2
Investments					
Associated companies	4	32·4		33·4	
Others at cost	3	5·2		3·7	
			37·6		37·1
			207·2		208·3
Subsidiary companies					
Excess of cost of shares over net book amount of assets at date of acquisition			126·3		122·1
Current assets					
Stocks	6	91·0		92·7	
Debtors		117·2		132·7	
Bank balances		7·8		8·7	
		216·0		234·1	
Current liabilities					
Bank advances: secured		2·8		2·3	
Bank advances: unsecured		27·9		44·9	
Short term advances and bills payable		7·8		15·7	
Creditors		68·6		70·6	
Taxation	7	6·8		5·7	
Dividends		6·7		6·4	
		120·6		145·6	
			95·4		88·5
			428·9		**418·9**
Financed by:					
Share capital and reserves					
Share capital	8				
Preference		4·1		4·1	
Ordinary		89·0		84·3	
		93·1		88·4	
Share premiums	12	118·8		112·6	
Reserves	9	42·9		41·7	
			254·8		242·7
Outside shareholders' interests in subsidiaries	13		15·7		16·5
Loan capital	10		138·3		142·5
Deferred taxation			11·6		8·1
Provision for pensions	11		8·5		9·1
			428·9		**418·9**

Don Ryder
H. W. Broad
Directors

Parent company balance sheet
31 March 1972

	Notes		1972		1971
					£million
Fixed assets					
Properties and plant: at cost		2·2		3·9	
Properties and plant: accumulated depreciation		0·8		1·7	
			1·4		2·2
Investments					
Associated companies at cost	4	4·4		4·4	
Others at cost	3	0·8		0·5	
			5·2		4·9
Subsidiary companies					
Shares at cost		233·9		229·3	
Advances and current accounts	5	92·5		96·6	
			326·4		325·9
Current assets					
Debtors		0·8		3·2	
Bank balances		3·0		2·8	
			3·8		6·0
			336·8		339·0
Current liabilities					
Bank advances: unsecured		7·7		18·4	
Short term advances and bills payable		1·5		7·9	
Creditors		3·6		3·5	
Taxation	7	0·2		0·2	
Dividends		6·7		6·4	
			19·7		36·4
			317·1		**302·6**
Financed by:					
Share capital and reserves					
Share capital	8				
Preference		4·1		4·1	
Ordinary		89·0		84·3	
		93·1		88·4	
Share premiums	12	118·8		112·6	
Reserves	9	26·6		23·8	
			238·5		224·8
Loan capital	10		78·6		77·7
Deferred taxation			—		0·1
			317·1		**302·6**

Don Ryder
H. W. Broad } Directors

Notes on balance sheets

£million

1 Properties and plant – Consolidated	Land and buildings Cost or valuation	Plant and equipment Cost	Total
Cost or valuation			
At 31 March 1971	112·8	206·2	319·0
Additions	4·4	15·1	19·5
Held by new subsidiaries on acquisition	2·9	2·6	5·5
Disposals	(4·0)	(13·2)	(17·2)
Adjustment on currency revaluations	(1·9)	(3·8)	(5·7)
At 31 March 1972	**114·2**	**206·9**	**321·1**
Accumulated depreciation			
At 31 March 1971	27·4	120·4	147·8
Charge to Profit and Loss Account	2·0	12·1	14·1
Accumulated by new subsidiaries prior to acquisition	0·9	1·6	2·5
Provided on disposals	(0·3)	(9·2)	(9·5)
Adjustment on currency revaluations	(0·8)	(2·6)	(3·4)
At 31 March 1972	**29·2**	**122·3**	**151·5**
Net values 31 March 1972	**85·0**	**84·6**	**169·6**

Land and buildings at cost or valuation	1972	1971
Freehold property	95·5	92·0
Leasehold property: 50 years or more unexpired	12·4	14·5
Leasehold property: Less than 50 years unexpired	3·5	3·3
Timber limits	2·8	3·0
	114·2	**112·8**
These sums include valuations made:		
1920	0·9	0·9
1940/48	1·1	1·1
1952/63	10·9	11·1
1964	21·9	22·7
1966/71	0·9	0·6
	35·7	**36·4**

The cost of plant is stated after deduction of UK investment grants receivable. The grants for the year are £0·4m. No depreciation has been provided on land or on certain commercial properties which are freehold or leasehold with 900 years unexpired (at cost or valuation £24·9 m.). For all other properties and plant, depreciation has been provided on a basis that will write off the book value of these assets within their expected life.

2 Future capital expenditure not provided in the accounts	Consolidated 1972	1971	Parent 1972	1971
Contracts placed	3·6	9·0	0·1	0·2
Authorised by directors but no contracts placed	6·0	8·7	—	0·1
	9·6	**17·7**	**0·1**	**0·3**

£million

3 Other investments	Consolidated 1972	1971	Parent 1972	1971
Cost				
Unquoted investments	3·9	2·7	0·1	0·1
Quoted investments	1·3	1·0	0·7	0·4
Total	**5·2**	**3·7**	**0·8**	**0·5**
Valuation				
Unquoted investments—Directors' valuation	6·1	2·8	0·1	0·1
Quoted investments—Market value	2·1	1·1	1·3	0·5
Total	**8·2**	**3·9**	**1·4**	**0·6**

4 Associated companies

These accounts are prepared on the basis of adopting for the first time the principles set out in the Statement of Standard Accounting Practice relating to the results of associated companies. Accordingly the consolidated profit and loss account includes the share of the profits less losses of associated companies instead of income received as in previous years. The comparative figures for the previous year have been similarly adjusted.
The results of associated companies have been taken in some cases from unaudited management accounts and the amount of profit after taxation taken from these accounts is £1·1m. The years in respect of which associated companies' results have been included vary, but none ended earlier than 30 September 1971 and the majority ended 31 December 1971.

	Consolidated 1972	1971	Parent 1972	1971
Attributable value				
Cost less amounts written off	28·7	30·7	4·4	4·4
Share of post acquisition retained profits	3·7	2·7	—	—
Total	**32·4**	**33·4**	**4·4**	**4·4**
Consisting of				
Unquoted investments	19·6	19·9	4·2	4·2
Quoted investments	12·8	13·5	0·2	0·2
Market value of quoted investments	21·4	18·5	1·0	1·0
Share of profits before taxation				
Unquoted investments	2·1	0·7		
Quoted investments	2·3	1·3		
Total	**4·4**	**2·0**		
United Kingdom	2·3	1·7		
Overseas	2·1	0·3		
Share of profits after taxation				
Unquoted investments	1·4	(0·1)		
Quoted investments	1·3	0·7		
Total	**2·7**	**0·6**		
Dividends and interest received				
Unquoted investments	0·9	1·1		
Quoted investments	0·9	0·9		
Total	**1·8**	**2·0**		

(Continued overleaf)

£million

4 Associated companies (continued)

Summary

Activity	Consolidated attributable value 1972	Share of profits (losses) before taxation 1972	1971
A. Publishing, printing etc	11·4	1·7	1·2
B. Pulp, paper and lumber—Canada	3·3	0·3	(1·0)
C. Pulp, paper and lumber—New Zealand	3·2	0·7	0·8
D. Paper and paper products etc	4·1	0·3	0·5
E. Entertainment	10·4	1·4	1·3
Total	**32·4**	**4·4**	**2·8**

List of associated companies

Activity	Company	Incorporated in	% Equity Held
E	Associated Television Corporation Ltd	UK	
	Ordinary Shares—Unquoted		29·6
	'A' Ordinary Stock—Quoted		21·2
E	British Relay Wireless & Television Ltd†—Quoted	UK	15·8
A	Cahners Publishing Co Inc	USA	32·0
A	Compagnie Francaise D'Editions	France	43·8
A	Daily Times of Nigeria Ltd—Quoted	Nigeria	47·4
D	Donside Paper Company Ltd	UK	50·0*
A	Industrial & Trade Fairs Holdings Ltd	UK	40·0
B	Intercontinental Pulp Co Ltd	Canada	37·5
D	Iplex Plastic Industries Ltd	Australia	40·0
D	Kimberly-Clark Ltd	UK	33·3*
A	London & Provincial Poster Group Ltd—Quoted	UK	44·2
D	J. & J. Maybank Ltd	UK	50·0*
A	C. Misset NV	Holland	40·0
A	New Medical Journals Ltd	UK	50·0
B	Prince George Pulp & Paper Ltd	Canada	50·0
A	Q.B. Ltd	UK	50·0
A	Sungravure Pty Ltd	Australia	50·0
B	Takla Forest Products Ltd	Canada	43·8
C	Tasman Pulp & Paper Co Ltd	New Zealand	
	Ordinary Shares—Unquoted		17·0*
	Ordinary Shares—Quoted		2·0*
A	Throgmorton Publications Ltd	UK	50·0

All unquoted unless otherwise stated.

* Held by Parent.

† In addition to this direct holding an associated company, Associated Television Corporation Ltd, holds 10·8% of the equity.

£million

5 Subsidiary companies—Advances and current accounts

	Parent 1972	1971
Amounts due from subsidiaries	145·1	147·5
Amounts due to subsidiaries	(52·6)	(50·9)
	92·5	**96·6**

The principal subsidiaries are shown on pages 26 and 27.

6 Stocks

The amounts included for stocks have been determined on bases and by methods of computation which have been applied consistently and which are considered appropriate in the circumstances of the business of each subsidiary company.

7 Taxation

	Consolidated 1972	1971	Parent 1972	1971
Amounts payable: before 1 January 1973	2·7	5·0	—	—
Amounts payable: on or after 1 January 1973	4·1	0·7	0·2	0·2
	6·8	**5·7**	**0·2**	**0·2**

The undistributed profit of overseas subsidiaries would be liable to further taxation if distributed.

8 Share capital

	1972 Authorised	1972 Issued	1971 Issued
Preference shares (cumulative) of £1 each			
Redeemable at the option of the Company			
4½%: at £1·025 to 30 September 1974 and at par thereafter	1·5	1·5	1·5
5½%: at par after 1975	1·2	1·2	1·2
Irredeemable			
5%	0·3	0·3	0·3
7%	1·1	1·1	1·1
	4·1	**4·1**	**4·1**
Ordinary shares of £1 each	89·0	89·0	84·3
Unclassified shares of £1 each	13·8	—	—
	106·9	**93·1**	**88·4**

9 Reserves

	Consolidated	Parent	Associated companies
At 31 March 1971: Parent and subsidiaries	46·0	23·8	—
At 31 March 1971: Associated companies	(4·3)		(4·3)
Profit for the year retained	5·1	2·6	0·9
Loan capital redemption discount	0·4	0·2	
Surplus on disposal of investments	0·6		
Surplus on disposal of fixed assets	0·9		
Exceptional losses arising on termination of unremunerative trading operations (after deduction of £1·0m tax relief)			
Computer operations	(1·7)		
Decorative products	(0·8)		
Others	(0·7)		
Exchange differences	(2·2)		0·3
Miscellaneous	(0·4)		
Reserves at 31 March 1972	**42·9**	**26·6**	**(3·1)**

10 Loan capital			1972	1971
				£million
Parent company				
Secured				
4½% Debenture Stock 1979/84			1·2	1·2
4½% Swiss Franc Loan 1972/77			5·0	4·8
5¼% Dutch Florin Loan 1973/77			1·4	1·6
6% Debenture Stock 1979/84			4·1	4·3
6¾% Debenture Stock 1987/92			4·7	4·8
7¼% Debenture Stock 1987/92			9·7	9·9
7¼% Debenture Stock 1990/95			9·9	10·0
Miscellaneous			1·1	0·2
			37·1	**36·8**
Unsecured				
5½% Redeemable Unsecured Loan Stock			1·9	1·9
6¾% European Unit of Account Loan 1968/83			4·7	4·8
7% Convertible Unsecured Loan Stock 1987/92			2·5	2·5
7½% Redeemable Unsecured Loan Stock			3·7	3·7
7½% Unsecured Loan Stock 1996/2001			15·5	15·9
10% Unsecured Loan Stock 2004/09			11·3	9·9
Miscellaneous			1·9	2·2
			78·6	**77·7**
Subsidiary companies				
Secured			31·3	36·9
Unsecured			28·4	27·9
Total			**138·3**	**142·5**
	Consolidated		Parent	
Repayable, mainly by instalments	1972	1971	1972	1971
Within 5 years	25·2	24·3	9·3	7·7
6–10 years	21·6	25·3	12·9	13·4
11–15 years	16·0	17·3	10·6	10·3
16–20 years	24·3	17·5	14·1	6·6
21–25 years	21·3	19·8	11·3	19·7
Over 25 years	21·8	31·4	14·9	14·5
No redemption requirements	8·1	6·9	5·5	5·5
Total	**138·3**	**142·5**	**78·6**	**77·7**
Includes loans wholly repayable within 5 years	10·5	8·5	2·1	1·2

The average rate of interest on all loans is 7·1% pa

The 7% Convertible Unsecured Loan Stock may be converted on the basis of one ordinary share and £0·225 10% Unsecured Loan Stock 2004/09 for each £3·52 of stock in 1972 or for each £3·84 of stock in 1973 and 1974. 702,242 unissued and unclassified shares are available to satisfy full conversion.

11 Provision for pensions

This represents the estimated total (after deduction of tax relief) of the past service liability in respect of pension rights of International Publishing Corporation Ltd's employees and is payable in equal annual instalments of gross £1·0m (£0·6m after tax relief) over the next 14 years.

	£ million
12 Share premiums	
At 31 March 1971	112·6
Premium on issue of ordinary shares	6·3
Share and loan issue expenses including stamp duty	(0·1)
At 31 March 1972	**118·8**

13 Outside shareholders' interests in subsidiaries	Profit after taxation		Balance sheet	
	1972	1971	1972	1971
Preference	0·4	0·4	6·9	7·3
Equity	0·7	0·9	8·8	9·2
	1·1	**1·3**	**15·7**	**16·5**

14 Contingent liabilities	Consolidated	Parent
Guarantees have been given in respect of the following borrowings:		
Associated Companies		
Prince George Pulp & Paper Ltd—jointly and severally with a third party	19·2	19·2
Intercontinental Pulp Co Ltd—jointly and severally with a third party	19·2	19·2
Others	5·9	4·7
Subsidiary Companies	—	39·6

Legal actions, which are being contested, have been initiated against two Canadian subsidiaries for alleged pollution. It is not possible to quantify the ultimate liabilities, if any.

15 Basis of conversion of overseas currencies into sterling

Intangible assets—rates ruling at date of acquisition

Assets and liabilities—rates ruling at 31 March 1972

16 Date of accounts

For administrative convenience, the profit and loss accounts of the Parent Company and all UK subsidiaries are for the 53 weeks to 2 April 1972 and the balance sheets are made up to this date.

In order to avoid delay in the completion of the consolidated accounts, the financial year of overseas subsidiaries ended on 31 December 1971.

Auditors' Report

To the Members of Reed International Limited

We report on the accounts set out on pages 16 to 27.

In our opinion, based on our examination, on the reports of the auditors of subsidiary and associated companies not audited by us and on the unaudited management accounts of some associated companies, the accounts give a true and fair view of the state of affairs and of the profit and comply with the Companies Acts 1948 and 1967.

J. H. Champness, Corderoy, Beesly & Co
Chartered Accountants
London

5 June 1972

Principal Subsidiary Companies
31 March 1972

United Kingdom

REED GROUP LTD*

Field, Sons & Co. Ltd*

Reed Corrugated Cases Ltd*

Reed Medway Sacks Ltd*

Reed Paper & Board (UK) Ltd*
Spicer-Cowan Ltd

Reed Transport Ltd

Spicers Ltd*
Alacra Ltd
Boyden Data Papers Ltd
Guidex Ltd
Reed Charts Ltd
Spicer-Hallfield Ltd
Spicers International Ltd
Spicers (Stationery) Ltd
Thorburn Bain & Co. Ltd

REED BUILDING PRODUCTS LTD*

Burn Bros. (London) Ltd
James Ferguson & Sons Ltd
Key Terrain Ltd
L. & P. Plastics Ltd
Twyfords Holdings Ltd*

INTERNATIONAL PUBLISHING CORPORATION LTD*†

IPC Services Ltd
IPC Properties Ltd

IPC Newspapers Ltd
Daily Mirror Newspapers Ltd
Scottish Daily Record & Sunday Mail Ltd

IPC Magazines Ltd

International Printers Ltd
Odhams (Watford) Ltd

IPC Business Press Ltd

Hamlyn Publishing Group Ltd

Butterworth & Co. (Publishers) Ltd

WALL PAPER MANUFACTURERS LTD*

Wallcoverings Division—Crown Group
Wall Paper Manufacturers Ltd*

Paint Division—Crown Group
Smith & Walton Ltd
Walpamur Co. Ltd

Merchant & Retail Division—Crown Group
John Line & Sons Ltd
Wall Paper Stores Ltd

Household Textiles Division
Arnold Clayton & Co. Ltd
Bradfield Brett Holdings Ltd
Henry Franc and Lauder Ltd
S. Pickles & Sons (Holdings) Ltd

Polycell Division
Briton Brush Co. Ltd
Chadwick Hollins Ltd
E. & H. Grace Ltd
Kervit Ceramics Ltd
Polycell Products Ltd

Sanderson Division
Arthur Sanderson & Sons Ltd
Dawes & Co. (Nelson) Ltd
Shand Kydd Ltd

Texales Division
Micafine Ltd
Rigg Holdings Ltd
Sheldons Engineering Works Ltd

* Direct Subsidiaries of Parent
† Preference shares held by outside interests
All the equity is held unless otherwise stated

Overseas

REED OVERSEAS CORPORATION LTD*

Australia
Butterworth & Co. (Australia) Ltd
Paper Associates Ltd, 73%
Paul Hamlyn Pty Ltd
Polycell Products Pty Ltd, 37%
Reed Consolidated Industries Ltd, 73%
Reed Estate Wines Pty Ltd, 73%
Reed Group Holdings Pty Ltd
Reed Paper Products Ltd, 73%
Twyfords (Australia) Pty Ltd
Wilson Fabrics & Wallpapers Ltd, 73%

Belgium
Intek SA
NV Polyfilla Products

Canada
Acme Paper Products Co. Ltd, 90%
Anglo-Canadian Pulp and Paper Mills Ltd, 90%†
Anglo Paper Products Ltd, 90%
Arthur Sanderson & Sons (Canada) Ltd
Butterworth & Co. (Canada) Ltd
Canadian Wallpaper Manufacturers Ltd, 67%
Crown Diamond Paints Ltd, 67%
Dominion Colour Corporation Ltd, 67%
Dryden Chemicals Ltd, 90%
Dryden Paper Co. Ltd, 90%
Empire Wallpaper & Paint Ltd, 67%
General Paint Corporation of Canada Ltd, 67%
Hamlyn Publishing Group (Canada) Ltd, 67%
Reed Paper Group Canada Ltd

France
Intek SARL
Polyfilla SA

Germany
Molto GmbH, 50%

Holland
Alabastine Holland NV

Irish Republic
Irish Paper Sacks Ltd, 51%
Spicer-Cowan (Ireland) Ltd
Walpamur Co. (Ireland) Ltd

Kenya
Walpamur Co. (Kenya) Ltd

New Zealand
Alex. Cowan & Sons (NZ) Ltd, 73%
Ashley Wallpapers Ltd, 44%
Butterworth & Co. (New Zealand) Ltd
E. H. Lund & Co. Ltd, 52%
Polycell Products Ltd, 37%

Nigeria
Spicers (Nigeria) Ltd

Norway
Sande Paper Mill A/S, 51%

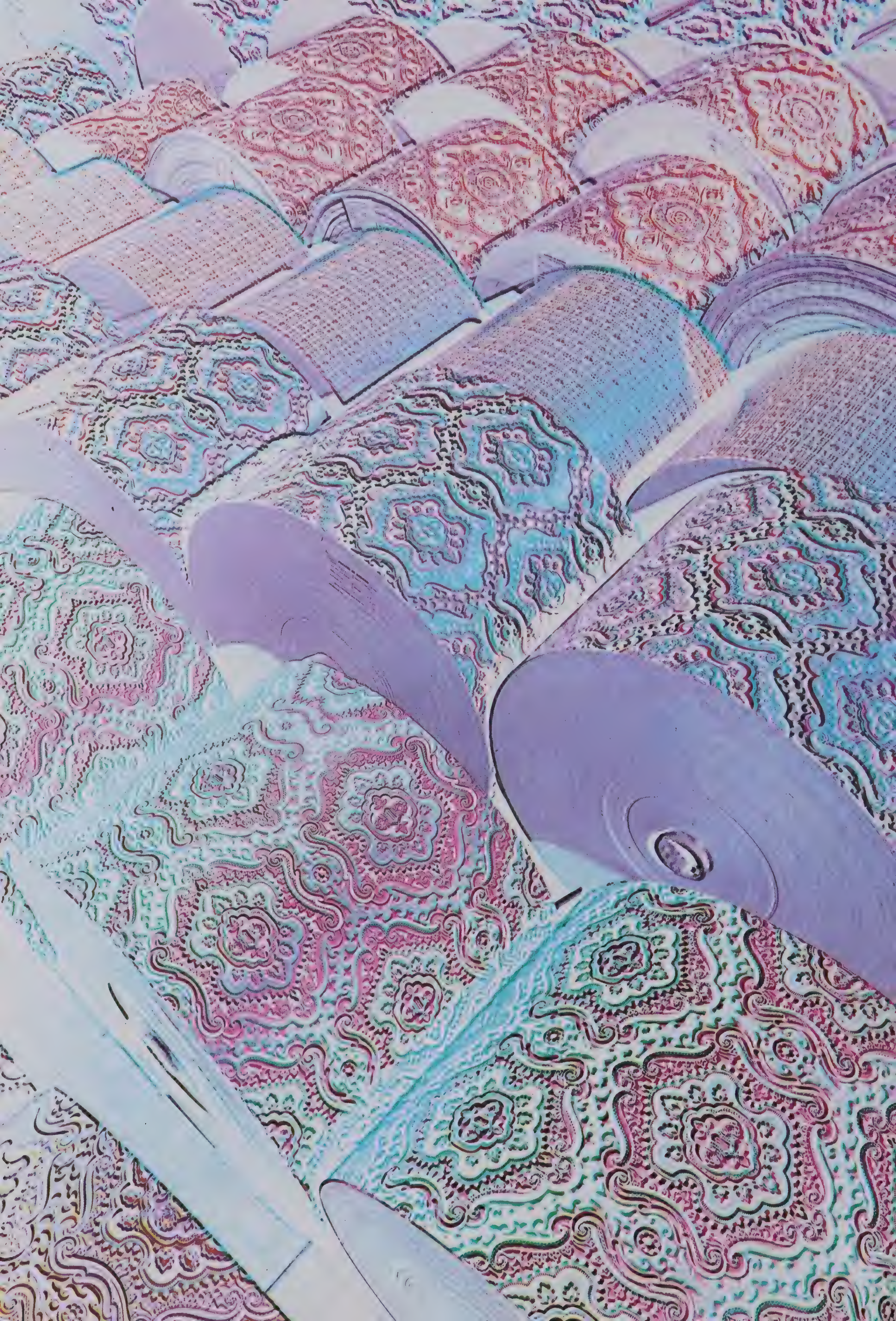
Rhodesia
Phoenix Brushware Co. (Private) Ltd, 55%
Spicers (CA) (Private) Ltd

South Africa
Butterworth & Co. (South Africa) Ltd
Crown Cebestos (Pty) Ltd, 70%
Keartlands SA (Pty) Ltd, 50%
Key Terrain (SA) (Pty) Ltd
Polycell Products (SA) (Pty) Ltd
Polyfoil Packaging Pty Ltd
Reed Corporation (Pty) Ltd
Spicers (South Africa Holdings) Pty Ltd
Twyfords (South Africa) (Pty) Ltd

Trinidad
Reed Trinidad Ltd, 65%

Uganda
Walpamur Co. (Uganda) Ltd

United States of America
Birge Co Inc, 67%
Butterworth (Publishers) Inc
International Computaprint Corporation, 99%
Montmorency Paper Co. Inc, 90%
Sertex Corporation, 67%
W. H. S. Lloyd Co. Inc



Analysis of sales and trading profit

	Sales				Trading Profit			
	1972		1971		1972		1971	
	£ million	%	£ million	%	£ million	%	£ million	%
United Kingdom companies								
Building products	16·5	2	8·5	1	2·5	6	0·7	2
Decorative products	116·5	18	98·9	17	5·8	15	4·8	15
Paper and paper products	169·9	27	178·7	30	12·6	33	12·9	40
Publishing and printing	187·8	30	174·5	29	9·9	26	5·3	17
Total UK	490·7	77	460·6	77	30·8	80	23·7	74
Overseas companies								
Canada								
Decorative products	15·4	2	12·7	2	1·2	3	1·4	4
Paper and paper products	51·8	8	51·5	9	2·6	7	2·9	9
Other countries								
Building products	1·5	—	0·2	—	0·3	1	—	—
Decorative products	18·4	3	17·7	3	1·2	3	1·2	4
Paper and paper products	49·6	8	43·9	7	2·4	6	2·7	8
Publishing and printing	12·3	2	8·6	2	0·2	—	0·2	1
Total overseas	149·0	23	134·6	23	7·9	20	8·4	26
Total sales	639·7	**100**	595·2	**100**				
Less inter-company sales	105·3		92·9					
Total Sales excluding inter-company sales	**534·4**		**502·3**					
Total Trading Profit					**38·7**	**100**	**32·1**	**100**

Statistics for ten years

£million

Year ended 31 March	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963
Sales, excluding inter-company sales	534·4	502·3	314·4	282·4	249·5	240·4	226·1	149·2	101·5	92·8
Profit before charging depreciation and taxation	44·2	33·4	28·7	25·9	23·1	22·0	27·1	18·8	14·2	12·8
Depreciation	14·1	13·5	9·4	9·0	8·9	8·4	7·7	5·5	4·6	4·3
Profit before taxation	30·1	19·9	19·3	16·9	14·2	13·6	19·4	13·3	9·6	8·5
Taxation	12·6	8·9	8·2	7·6	6·6	6·0	7·2	6·0	4·7	3·9
Profit after taxation	17·5	11·0	11·1	9·3	7·6	7·6	12·2	7·3	4·9	4·6
Profit attributable to members of the Parent Company	16·4	9·7	10·2	8·6	7·1	7·1	11·5	6·9	4·6	4·4
Dividends	11·3	10·7	6·0†	7·0	7·0	7·0	9·3	3·8*	3·3*	2·9*
Retained profits	5·1	(1·0)	4·2	1·6	0·1	0·1	4·2	3·1	1·3	1·5
Capital expenditure	19·5	20·0	13·9	12·3	9·7	12·5	15·6	9·8	5·1	6·9
Capital employed	428·9	418·9	280·5	269·7	258·1	250·5	236·5	148·7	129·7	113·7
Share capital	93·1	88·4	59·3	58·1	58·0	58·0	56·6	39·9	36·7	31·7
Reserves	161·7	154·3	107·2	100·4	99·5	97·0	95·5	67·2	58·0	49·2
Loan capital	138·3	142·5	95·5	94·2	84·5	81·8	65·7	34·2	30·9	28·6

(† after part cancellation of Share Capital)
(* Net prior to change in UK tax structure)

Thousands

	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963
Number of shareholders	95·1	103·8	52·7	52·1	55·7	56·6	55·5	29·9	27·5	22·6
Number of employees	79·7	84·0	55·6	53·5	53·3	54·0	55·1	27·7	25·7	22·1

1971 and 1972 include the share of the results of associated companies. Previous years include only dividends and interest receivable.

Reed International Limited Reed House 82 Piccadilly London W1A 1EJ
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